

Personal Re-employment Accounts

Purpose

Personal Re-employment Accounts are a new approach to help unemployed workers make a quicker return to work. They are targeted at unemployed workers who are likely to exhaust Unemployment Insurance (UI) benefits before finding a new job and, in some circumstances, those who have exhausted their UI benefits within the last three months. The accounts are integrated into the Workforce Development System and will allow eligible unemployed workers to purchase intensive re-employment, training and supportive services in a flexible manner. If a job is obtained quickly, some individuals will be able to keep the account balance as a cash “Re-employment Bonus.”

The Administration’s Proposal for Personal Re-employment Accounts

The President proposes that states be given a national total of \$3.6 billion through one-time fiscal assistance to provide Personal Re-employment Accounts. This will provide immediate assistance to nearly 1.2 million unemployed workers. Each account will contain up to \$3,000, which can be used to purchase intensive re-employment services (such as counseling or case management), training, and supportive services such as transportation and child care. These services are available either through the One-Stop Career Center system, sources outside the One-Stop system, or in combination. This is a flexible way for unemployed workers to access services and benefits that will help them return to work faster. Workers currently receiving UI benefits who become reemployed by their 13th UI benefit payment may retain any balance remaining in the account as a cash re-employment bonus. Individuals not finding work by the 13th week of UI benefits and UI exhaustees would not be able to “cash out” their account, but would be able to continue to use it for services for up to one year.

Personal Re-employment Accounts will be a component of the Workforce Development System—connecting unemployed workers to fast-track re-employment services and training. These accounts will be offered as an additional option to certain UI exhaustees and UI recipients who, under current UI rules, are most in need of re-employment services because they are identified as “likely to exhaust” UI benefits. Re-employment Accounts are a one-time benefit.

Personal Re-employment Accounts and Unemployed Workers

Current law requires that states identify those recipients “who are likely to exhaust benefits and will need job search assistance services to make a successful transition to new employment” and refer these individuals to re-employment services. Although each state applies different criteria, the factors used to identify these workers include local unemployment rates, prior employment in a declining industry, the participant’s level of education, and the participant’s recent job tenure. From July 2001 through June 2002, 10.4 million individuals received UI and 1.2 million, or about twelve percent, were judged to be very likely to exhaust 26 weeks worth of regular UI benefits and were referred to mandatory re-employment services.

Steps for an unemployed worker receiving UI benefits to obtain a Personal Re-employment Account

1. A UI recipient identified by his or her state as “likely to exhaust” UI benefits under current law must register with the state’s Workforce Investment Act program to become a client of the already-established network of One-Stop Career Centers. Failure to do so risks the loss of UI benefits.
2. Recipients who are referred to re-employment services will also be eligible to receive an Account, and this will be determined by the state. Those selected individuals will be offered a Re-employment Account as part of the services they receive and will be provided with a Re-employment Account up to \$3000 administered on their behalf by the One-Stop Career Center.
3. The individual could continue to be eligible for and receive UI benefits and would also be free to use core services (e.g. job search, local labor market information) provided by the public One-Stop Career Center. If the individual determines the need for other One-Stop Career Center services such as intensive services (e.g. counseling, case management), training, or supportive services, he/she must purchase these services with Account funds.
4. Intensive, training, and supportive services may be purchased from other sources outside the One-Stop system, the One-Stop Career Center system, or in combination. The One-Stop Career Center would provide payouts from the account upon receiving allowable invoices and cost documentation. Such payouts would reduce the balance of funds available in the account.
5. If the individual becomes reemployed by the 13th week of UI benefits, any balance remaining unspent in his/her account would be provided directly to the worker in cash as a “re-employment bonus” paid out by the One-Stop Career Center administering the individual’s account. Full payout would close the account.
6. Individuals will be provided the cash balance in two installments: 60 percent at the time of employment and 40 percent after six months of retaining a job.
7. When the cash payout is completed individuals may continue to use all of the no-cost, automated and staff-assisted basic re-employment services available at One-Stop Career Centers. They would not, however, be eligible for intensive services such as counseling, case management, training, or supportive services under the Workforce Investment Act for a period of one-year after cash payout.
8. If the individual does not find employment by the 13th week of UI benefit payment, he or she would be able to continue to use the Account resources as administered by the One-Stop Career Center for intensive, training or supportive services for up to one year.

In addition, approximately 1 million individuals exhausted their regular UI benefits and 700,000 exhausted their Temporary Extended Unemployment Compensation (TEUC) in the last three

months. To the extent that funds are available, states have the option to extend Personal Re-employment Accounts to unemployed workers who have exhausted their UI benefits.

States have the option of these steps for an unemployed worker who has exhausted benefits to obtain a Personal Re-employment Account

1. An individual who has exhausted UI benefits within the last three months before the program's effective date may be identified by the state as qualifying for a Re-employment Account. Individuals must also meet the following criteria: (1) they are successfully in training now but have not completed it and have exhausted benefits (with priority for those who are training for shortage occupations or high growth industries), and (2) they have worked in industries that are declining or no longer functioning in the local labor market within the past 2 years.
2. Once identified by the state as eligible for an Account, the individual would follow the same steps outlined above for UI beneficiary Account holders. A re-employment bonus would be available for those entering a job within 13 weeks of becoming an account holder.
3. UI exhaustees may also use their Account funds for income support payments similar to unemployment benefits if they are engaged in training and/or intensive re-employment services leading to a job.
4. If the individual does not find employment by the 13th week, he/she will be able to continue to use account funds for intensive, training, or supportive services for up to one year.

Economic Benefits of Re-employment Accounts

Re-employment Accounts are designed to assist workers to return to work quickly. These Accounts build on the existing Workforce Development System and empower unemployed workers by giving them more flexibility and personal choice over their assistance. Unemployed workers have a wide range of needs and are best-suited to understand their particular circumstances. Some workers may want extensive retraining. Other workers may not require retraining, but may need help relocating or may need child care in order to return to work.

The potential for a re-employment bonus provides a greater incentive to find new employment. A Department of Labor study of the Re-employment Bonus Experiments conducted in the states of Washington, New Jersey, and Pennsylvania showed that a re-employment bonus of \$300-\$1,000 motivated people to become reemployed, reduced the duration of UI by almost a week, and resulted in new jobs comparable in earnings to those obtained by workers who were not eligible for the bonus and remained unemployed longer. Similarly, a study of a re-employment bonus experiment conducted in Illinois in the 1980s published in a leading American economics journal found that a re-employment bonus of \$500 reduced the duration of unemployment by more than a week and also did not lead to lower earnings. The ability of unemployed workers to receive the balance of their Accounts offers the potential to bring these improvements to a larger number of the unemployed.